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SUBJECT: LEBANON: SEVERE POWER CUTS AND INCREASED GAS AND
TRANSPORTATION PRICES HIT CITIZENS (ECONOMIC WEEK IN REVIEW, JUNE 9
- 15, 2008)

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CONTROVERSY BETWEEN FINANCE MINISTRY AND
POWER COMPANY LEAD TO SEVERE POWER CUTS

¶1. (U) It is expected that power outages will be reduced in frequency after Finance Minister Azour approved opening \$140 million Letters of Credit for fuel imports for national power utility Electricite du Liban (EDL). Azour indicated that EDL is using power cuts to put pressure on the GOL and Treasury to settle its fuel bills as EDL suffers from chronic deficits. Azour believes poor management and maintenance are causing power cuts.

¶2. (SBU) Meanwhile, EDL Chairman Kamal Hayek told us June 12 that EDL had to impose severe power cuts that reached four hours in Beirut and 9-12 hours in other regions daily as of last week because of shortage in fuel and gasoil reserves. He said he warned Azour in writing about the shortage in oil reserves two weeks ago and urged the opening of L/Cs for oil imports. He rejected Azour's public statements that increased power rationing was not due to shortage in fuel/gasoil, but to problems in production and in programming oil imports. Power cuts are expected to drop starting early next week as fuel/gasoil tankers unload in storage tanks.

GAS PRICES REACH RECORD HIGH,
PUBLIC TRANSPORT FARES ALSO RISE

¶3. (U) The Ministry of Energy and Water raised the prices of 20 liters of gasoline by slightly over one dollar on June 11, so that the price of 95-octane is \$21.2 per liter and the price of 98-octane

is \$21.8 per liter. Private sector economic and business officials, as well as member of the labor and agricultural sectors have expressed their concerns on the effects of this rise on production and how it will affect the most recent increase in the minimum wage.

14. (U) Even before the most recent hike in gas prices, the Ministry of Transportation raised the fares of public transportation (buses and shared cabs) by around 33 percent, effective from the first week of June.

FINANCIAL INSTITUTE DISCUSSES PLANS
FOR IPR TRAINING PROGRAM, SEEKS U.S. ASSISTANCE

15. (SBU) On June 12, Econ staff met with the head of the Financial Institute, Lamia Moubayed, to discuss ways Post can assist in implementing a one to two year training program at the Institute for Customs officers on IPR enforcement. Working in collaboration with the Brand Protection Group (BPG) -- an association of leading local, regional, and international manufacturers and distributors aimed at combating counterfeiting -- the Financial Institute hopes to use the skills and experience of those that post has already sent on IPR training, as well as bringing U.S. IPR experts to train local officers and improve IPR enforcement. In addition, Moubayed made a strong pitch for a U.S. expert to assist in engineering the program.

ARAB INVESTORS AWAIT 2009 ELECTIONS
TO MOVE ON MEGA PROJECTS
